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**JACKSON PARISH HOSPITAL
SERVICE DISTRICT NO. 1
D/B/A
JACKSON PARISH HOSPITAL
September 30, 2001**

Audits of Financial Statements

**September 30, 2001
and
September 30, 2000**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/3/02

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To the Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of **JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1, d/b/a JACKSON PARISH HOSPITAL (Hospital)**, a component unit of the Jackson Parish Police Jury, as of and for the years ended September 30, 2001 and 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the **Hospital's** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the **Hospital** as of September 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2002, on our consideration of the **Hospital's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Laporte, Schrt, Romig & Hand
A Professional Accounting Corporation

February 18, 2002

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JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
BALANCE SHEETS**

ASSETS

	September 30,	
	2001	2000
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 89,529	\$ 27,123
Assets Whose Use is Limited	4,089	3,925
Patient Accounts Receivable, Net of Estimated Uncollectibles of \$630,209 for 2001, and \$773,170 for 2000	806,870	519,455
Inventory Supplies - at Cost	225,831	208,036
Prepaid Expenses	60,690	95,628
Other Receivables	32,755	8,318
Total Current Assets	<u>1,219,764</u>	<u>862,485</u>
ASSETS WHOSE USE IS LIMITED		
Under Indenture Agreement	<u>4,089</u>	<u>3,925</u>
Total Assets Whose Use is Limited	4,089	3,925
Less: Amounts Required to Meet Current Obligations	<u>4,089</u>	<u>3,925</u>
Noncurrent Assets Whose Use is Limited	<u>-</u>	<u>-</u>
PROPERTY, PLANT AND EQUIPMENT, NET	<u>1,983,518</u>	<u>2,211,236</u>
Total Assets	<u>\$ 3,203,282</u>	<u>\$ 3,073,721</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND FUND BALANCE (DEFICIT)

	September 30,	
	<u>2001</u>	<u>2000</u>
CURRENT LIABILITIES		
Accounts Payable - Trade	\$ 426,392	\$ 1,009,749
Estimated Third Party Settlements	157,304	425,718
Current Maturities of Bonds Payable	189,000	174,000
Current Obligations of Capital Leases	26,308	30,189
Accounts Payable - Other	13,771	26,605
Accrued Salaries and Employee Benefits	216,500	202,544
Accrued Interest on Long-Term Debt	<u>9,938</u>	<u>10,364</u>
 Total Current Liabilities	 <u>1,039,213</u>	 <u>1,879,169</u>
 LONG-TERM LIABILITIES, NET OF CURRENT MATURITIES		
Bonds Payable	1,841,000	2,030,000
Long-Term Obligations of Capital Leases	<u>21,682</u>	<u>29,402</u>
 Total Long-Term Liabilities	 <u>1,862,682</u>	 <u>2,059,402</u>
 COMMITMENTS AND CONTINGENCIES		
 FUND BALANCE (DEFICIT)	 <u>301,387</u>	 <u>(864,850)</u>
 Total Liabilities and Fund Balance (Deficit)	 <u>\$ 3,203,282</u>	 <u>\$ 3,073,721</u>

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
STATEMENTS OF OPERATIONS**

	For The Years Ended September 30,	
	2001	2000
NET PATIENT SERVICE REVENUE	\$ 6,427,585	\$ 5,159,827
OTHER OPERATING REVENUE	<u>1,231,168</u>	<u>1,254,799</u>
Total Revenue	<u>7,658,753</u>	<u>6,414,626</u>
OPERATING EXPENSES		
Salaries and Benefits	3,052,771	3,624,299
Medical Supplies	569,738	809,850
Professional Fees	1,394,727	1,164,077
Other Operating Expenses	1,185,487	1,133,165
Insurance	120,818	97,480
Interest	171,649	133,399
Depreciation	248,211	288,374
Provision for Bad Debts	<u>481,995</u>	<u>534,898</u>
Total Expenses	<u>7,225,396</u>	<u>7,785,542</u>
Income (Loss) from Operations	<u>433,357</u>	<u>(1,370,916)</u>
NON-OPERATING REVENUES		
Ad Valorem Taxes	446,385	440,488
Office Rent	78,925	56,160
Interest Income	32,624	18,241
Other Income	174,946	128,748
Gain on Sale of Home Health Assets	<u>-</u>	<u>98,632</u>
Non-Operating Revenues	<u>732,880</u>	<u>742,269</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES) BEFORE EXTRAORDINARY ITEM	1,166,237	(628,647)
EXTRAORDINARY ITEM - SETTLEMENTS ON PRIOR YEAR'S OUTSTANDING DEBT	<u>-</u>	<u>431,401</u>
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	<u>\$ 1,166,237</u>	<u>\$ (197,246)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
STATEMENTS OF CHANGES IN FUND BALANCE (DEFICIT)

	For The Years Ended September 30,	
	<u>2001</u>	<u>2000</u>
BALANCE, Beginning of Year	\$ (864,850)	\$ (667,604)
Excess of Revenues Over Expenses (Expenses Over Revenues)	<u>1,166,237</u>	<u>(197,246)</u>
BALANCE, End of Year	<u>\$ 301,387</u>	<u>\$ (864,850)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
STATEMENTS OF CASH FLOWS**

	For The Years Ended September 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of Revenues over Expenses (Expenses over Revenues)	\$ 1,166,237	\$ (197,246)
Adjustments to Reconcile Excess of Revenues over Expenses (Expenses over Revenues) to Net Cash Provided by (Used in) Operating Activities		
Settlements on Prior Year's Outstanding Debt	-	(431,401)
Gain on Disposal of Home Health Assets	-	(98,632)
Depreciation and Amortization	248,211	288,374
Provision for Bad Debts	481,995	534,898
(Increase) in Accounts Receivable	(769,410)	(567,750)
(Decrease) in Estimated Third-Party Payor Settlements	(268,414)	(273,510)
(Increase) Decrease in Inventory Supplies	(17,795)	53,755
Decrease (Increase) in Prepaid Expenses	34,938	(12,106)
(Increase) Decrease in Other Receivables	(24,437)	11,149
(Decrease) Increase in Accounts Payable	(583,357)	161,067
Increase (Decrease) in Accrued Expenses and Employee Benefits	13,956	(111,747)
(Decrease) Increase in Accrued Interest on Long-Term Debt	(426)	7,792
(Decrease) Increase in Accounts Payable - Other	(12,834)	26,605
Net Cash Provided By (Used in) Operating Activities	<u>268,664</u>	<u>(608,752)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Invested in Assets Whose Use is Limited	(164)	(169)
Proceeds from Sale of Home Health Assets	-	108,000
Purchases of Property and Equipment	<u>(20,493)</u>	<u>(235,382)</u>
Net Cash Used in Investing Activities	<u>(20,657)</u>	<u>(127,551)</u>

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
STATEMENTS OF CASH FLOWS (Continued)

	For The Years Ended September 30,	
	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Bonds	(174,000)	(176,000)
Payments Made on Capital Leases	<u>(11,601)</u>	<u>(29,001)</u>
Net Cash Used in Financing Activities	<u>(185,601)</u>	<u>(205,001)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,406	(941,304)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>27,123</u>	<u>968,427</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 89,529</u>	<u>\$ 27,123</u>
SUPPLEMENTAL DISCLOSURES:		
Cash Paid During the Year for Interest	<u>\$ 171,649</u>	<u>\$ 133,399</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING AND INVESTING ACTIVITIES		
Settlements on Prior Year's Outstanding Debt	<u>\$ -</u>	<u>\$ 431,401</u>

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Jackson Parish Hospital Service District No. 1 (Hospital) was organized under the Louisiana Revised Statutes of 1950. The Hospital's area includes all of Jackson Parish, Louisiana.

The Hospital is a political subdivision of the Jackson Parish Police Jury, whose jurors are elected officials. The Hospital's commissioners are appointed by the Jackson Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Jackson Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Jackson Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying general purpose financial statements present information on the funds only maintained by the Hospital and do not present information on the police jury, the governmental services provided by the governmental unit, or the governmental units that comprise the general purpose financial reporting entity.

NATURE OF BUSINESS

The Hospital operates a 49-bed-acute-care facility. Additionally, the Hospital provides emergency, outpatient, and clinic services.

ACCOUNTING STANDARDS

The general purpose financial statements of the Hospital have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and reporting principles. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict or contradict GASB pronouncements. Hospital accounting and reporting procedures also conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide and the AICPA Audit and Accounting Guide – Health Care Organizations.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less, excluding amounts whose use is limited by board designation, other arrangements under trust arrangements, or with third-party payors.

ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include funds set aside by the Board of Commissioners to satisfy deposit requirements of the Hospital's debt agreements.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE A

DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY SUPPLIES

Inventory is valued at the lower of cost or market using the first-in, first-out method.

PROPRIETARY FUND ACCOUNTING

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

INVESTMENTS

Trading securities, if any, which include any security held for near-term sale, are carried at fair market value. Gains and losses on trading securities, both realized and unrealized, are included in non-operating income.

Available-for-sale securities, if any, which include any security for which the Hospital has no immediate plan to sell, but which may be sold in the future, are carried at fair value. Realized gains and losses, based on the specific identification method, are included in non-operating income. Unrealized gains and losses are recorded in fund balance. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Held-to-maturity securities, if any, which include any debt security for which the Hospital has the positive intent and ability to hold until maturity, are carried at historical cost adjusted for amortization of premiums and accretion of discounts. Premiums and discounts are amortized and accreted, respectively, to interest income using the interest method over the period to maturity.

Interest and dividends on investments in debt and equity securities are included in non-operating income when earned.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. See the disclosure regarding Net Patient Service Revenue below for further discussion of significant estimates involving the revenue recognition methods of the Hospital.

NET PATIENT SERVICE REVENUE

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

NON-DIRECT RESPONSE ADVERTISING

The Hospital expenses advertising costs as incurred.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE A

**DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES (Continued)**

RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self-insurance of (1) Hospital professional liability and comprehensive general liability and (2) Statutory workers' compensation. The Hospital continues to carry commercial insurance for all risks of loss.

STATEMENTS OF OPERATIONS

For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as other income and expense.

INCOME TAXES

The Hospital is a governmental unit which has registered as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from Federal income taxes on related income pursuant to Section 501(a) of the Code.

NOTE B

NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Inpatient and outpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 1999.

Medicaid – Inpatient care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per day. Certain outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 1997.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

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**JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE B

NET PATIENT SERVICE REVENUE (Continued)

Blue Cross – Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per-diem rates are not subject to retroactive adjustment.

The Hospital has also entered into payment agreements with certain other commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the Hospital under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Since the Hospital serves a disproportionate share of low-income patients, it qualifies for Medicaid Disproportionate Share reimbursements. Medicaid Disproportionate Share reimbursements of \$1,177,174 and \$1,207,452 are included in Other Operating Revenue for the years ended September 30, 2001 and 2000, respectively. These amounts are subject to audit by the State of Louisiana. It is remotely possible that settlement amounts may arise as a result of such audits, but cannot be determined as of the date of these financial statements.

NOTE C

CONCENTRATIONS OF CREDIT RISK

As indicated in Note B, the Hospital generates a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. A summary of gross Medicare and Medicaid charges for the years ended September 30, 2001 and 2000 follows:

	<u>2001</u>	<u>2000</u>
Medicare Patients	\$ 6,643,339	\$ 3,360,269
Medicaid Patients	<u>1,648,637</u>	<u>2,048,473</u>
Total	<u>\$ 8,291,976</u>	<u>\$ 5,408,742</u>
Percent of All Patients	<u>81%</u>	<u>78%</u>

The Hospital grants credit to patients, substantially all of whom are local residents, under terms requiring timely repayment. The Hospital generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, and commercial insurance policies).

The mix of gross receivables from patients and third-party payors at September 30 was follows:

	<u>2001</u>	<u>2000</u>
Medicare and Medicaid	57%	55%
Commercial Insurance	14%	23%
Patients	28%	22%

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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NOTES TO FINANCIAL STATEMENTS

NOTE D

CHARITY CARE

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

NOTE E

BANK DEPOSITS

Cash deposits with financial institutions, which include cash balances whose use is limited or restricted, amounted to \$93,618 and \$31,048, as of September 30, 2001 and 2000, respectively. These balances were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the Hospital's name

NOTE F

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation, if applicable. The Hospital uses straight-line depreciation for financial reporting and third party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 Years
Machinery and Equipment	5 to 20 Years
Furniture and Fixtures	5 to 15 Years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations when incurred.

The cost of assets retired or otherwise disposed of and related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to current operations.

Major classifications of property, plant and equipment are summarized below.

	September 30,	
	2001	2000
Buildings and Fixed Equipment	\$ 4,609,772	\$ 4,609,772
Major Movable Equipment	2,949,919	2,937,326
Land Improvements	182,448	181,048
	7,742,139	7,728,146
Less: Accumulated Depreciation	5,787,521	5,539,310
Total Buildings and Equipment	1,954,618	2,188,836
Land	28,900	22,400
Total Property, Plant and Equipment, Net of Depreciation	\$ 1,983,518	\$ 2,211,236

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

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**JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE F

PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation and amortization expense for the years ended September 30, 2001 and 2000 totaled \$248,211 and \$288,374, respectively.

NOTE G

BONDS PAYABLE

On September 23, 1999, the Hospital issued certificates of indebtedness in the amount of \$2,380,000 with a 5.875% rate of interest, payable semi-annually on March 1st and September 1st. These Series 1999 bonds call for principal payments on March 1st with the final payment due March 1, 2009. The bonds are secured by a pledge of Ad Valorem taxes set at 8.2 mills.

Scheduled principal repayments on these bonds are as follows:

2002	\$ 189,000
2003	204,000
2004	221,000
2005	240,000
2006	260,000
Thereafter	<u>916,000</u>
	<u>\$ 2,030,000</u>

NOTE H

COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid vacation and holiday days. Sick days are not vested and, accordingly, no liability has been recorded in the accompanying general purpose financial statements. Vested vacation and holiday days off have been recorded as a liability in the accompanying general purpose financial statements at employee earnings rates in effect at the balance sheet dates.

NOTE I

PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resource Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 25% per year for years of service 2-5. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 3% of employee salaries, if the employee also contributes 3%. The Hospital contributed \$35,752 and \$38,115 for the years ended September 30, 2001 and 2000, respectively.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
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JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE J

CAPITAL LEASES

The Hospital leases equipment under capital leases that expire in various years through 2004. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or fair value of the asset. The assets are depreciated over the lower of their related lease terms or their productive lives. Depreciation of assets under leases is included in depreciation expense for the years ended September 30, 2001 and 2000.

Minimum future lease payments under capital leases as of September 30, 2001 for each of the next three years and in aggregate are:

<u>Year</u>	<u>Amount</u>
2002	\$ 26,308
2003	11,557
2004	<u>10,125</u>
Total Minimum Lease Payments	47,990
Less: Current Maturities	<u>26,308</u>
Long-Term Maturities	<u>\$ 21,682</u>

Interest rates on capital leases vary from 5% to 17% and are imputed on the lessor's implicit rates of return. Total interest incurred on these capital leases totaled \$1,932 and \$1,069 for the years ended September 30, 2001 and 2000, respectively.

NOTE K

OPERATING LEASES

The Hospital leases various equipment and a building under operating leases expiring during 2001. Lease expense charged to operations totaled \$250,561 and \$230,269 for the years ended September 30, 2001 and 2000, respectively.

Certain operating leases provide for renewal options for an indefinite period at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases.

NOTE L

PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

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**JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS**

NOTE L

PROFESSIONAL LIABILITY RISK (Continued)

The constitutionality of this legislation has not been tested by the courts, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

NOTE M

COMMITMENTS

The Hospital has employment/independent contractor contracts with three physicians that expire at various terms through December 2004. As of September 30, 2001, the Hospital's commitment for the next fiscal year totals \$492,093. These physicians work in hospital clinics and the emergency room.

The Hospital has a contract with outside parties for management services that include providing for the Hospital's administrator, CFO, and Director of Patient Care Services. This agreement is through November 2002. The annual commitment totals \$250,000, plus benefits not to exceed 30% of the \$250,000.

The Hospital has a facilities management agreement with a remaining term of one year. This obligation calls for a payments totaling \$78,991 during the year ended September 30, 2002.

NOTE N

CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts, which vary, from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third Party Cost-Based Charges – The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical reports for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims, which have already been paid to the Hospital. The amount of such adjustments cannot reasonably be determined.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
NOTES TO FINANCIAL STATEMENTS

NOTE N
CONTINGENCIES (Continued)

Professional Liability Risk (Note L) – The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workmen's Compensation Risk – The Hospital participated in the Louisiana Hospital Association Self-Insurance Workmen's Compensation Trust Fund in 2001 and 2000. Should the fund's assets not be adequate to cover claims made against it, the Hospital may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the Hospital is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The Hospital has included these allocations of equity in the trust in its general purpose financial statements.

Medical Benefits Trust – The Hospital formerly maintained a medical benefits trust. The Hospital contributed \$99 per employee per month and the employee contributed the balance of any premium required to cover the health benefits cost of the employees. All full time employees were eligible to participate. The trust paid all claims from funds provided from the Hospital. The trust agreement provided that should it not have sufficient funds to cover its obligations, the Hospital is obligated to fund the shortfall. The Hospital purchased "excess" insurance coverage that provides for payment of individual claims in excess of \$15,000 or aggregate annual claims in excess of \$162,680. The Hospital had a liability for incurred but not reported claims of \$0 and \$41,306 at September 30, 2001 and 2000, respectively. This liability is included within Accounts Payable on the balance sheets. As of the date of these financial statements all claims associated with this plan had been settled and the deadline for submitting future incurred but not reported claims has passed.

Currently, the Hospital has elected to provide discounted healthcare services to employees and their dependents, as an alternative to the terminated plan above. Additionally, a supplemental health insurance benefit is available to employees who purchase private insurance in their name. This benefit is limited to the lesser of \$169 per month or the cost of the policy.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the Hospital. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

NOTE O
RECLASSIFICATIONS

Certain amounts in the September 30, 2000 financial statements have been reclassified to conform to the current year.



To the Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana

Our report on our audit of **JACKSON PARISH HOSPITAL SERVICE DISTRICT NO.1, d/b/a JACKSON PARISH HOSPITAL (Hospital)** for the years ended September 30, 2001 and 2000 appears on page 1. The audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Hospital. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A Professional Accounting Corporation

February 18, 2002

SUPPLEMENTARY FINANCIAL INFORMATION

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
SCHEDULE OF NET PATIENT SERVICE REVENUES**

	For The Years Ended September 30,	
	2001	2000
DAILY PATIENT SERVICE REVENUES		
Adult and Pediatric	\$ 1,412,207	\$ 809,380
PCAU Room Revenue	880,062	1,243,850
Total Daily Patient Services	2,292,269	2,053,230
OTHER PROFESSIONAL SERVICES		
Pharmacy/IV Therapy	1,864,473	1,279,456
Radiology	1,308,216	1,015,135
Laboratory	1,182,444	1,073,130
Respiratory Care, EKG and EEG	1,075,805	574,270
Emergency Room	772,608	485,189
Specialty Clinics	740,118	-
Dr. Marzan	263,372	265,442
Nursing Services	198,702	21,318
PCAU	189,249	229,006
Dr. Garcia	159,850	67,291
Central Supply	125,577	78,540
Surgery	104,110	84,918
Walk-In Clinics	97,083	56,595
Anesthesia	67,932	71,442
Kid Med	39,960	40,829
Blood Bank	32,923	19,933
Home Health	-	315,158
Total Other Professional Services	8,222,422	5,677,652
Gross Patient Service Revenue	10,514,691	7,730,882
Less: Contractual Adjustments	4,087,106	2,571,055
Net Patient Service Revenue	\$ 6,427,585	\$ 5,159,827

See independent auditor's report.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
SCHEDULE OF OTHER OPERATING REVENUE

	For The Years Ended September 30,	
	2001	2000
Disproportionate Share	\$ 1,177,174	\$ 1,207,452
Cafeteria Employee	23,309	25,982
Drugs Sold-Employees	20,779	13,582
Medical Records	3,645	6,340
Patient Supply Sales	3,986	-
Supplies Sold to Employees	2,034	1,363
Scrap/ Waste Recycle	241	-
X-Ray Copies	-	80
Total Other Operating Revenue	\$ 1,231,168	\$ 1,254,799

See independent auditor's report.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
SCHEDULE OF SALARIES AND BENEFITS**

	For The Years Ended September 30,	
	2001	2000
PCAU	\$ 505,138	\$ 713,912
Nursing Services and Administration	488,548	419,465
Laboratory	228,635	227,205
Emergency Room	227,814	195,527
Dr. Marzan	188,319	181,583
Dr. Garcia	149,018	117,795
Radiology	132,970	112,190
Housekeeping	114,192	116,177
Dietary and Cafeteria	93,771	98,027
Medical Records	84,592	70,097
Pharmacy	83,320	79,215
Business Office	74,756	87,165
Surgery	68,114	70,422
Admitting	64,570	65,102
Accounting	47,250	47,294
Respiratory Therapy	46,883	63,588
Walk-In Clinic	36,784	30,930
Kid Med	35,724	34,887
Central Supply	31,681	32,015
Special Clinics	24,325	14,644
Administrative	23,698	22,167
Plant Operations and Maintenance	16,024	13,750
Data Processing	2,532	15,026
Home Health	-	194,397
Anesthesiology	-	20,857
Total Salaries	<u>2,768,658</u>	<u>3,043,437</u>
FICA	201,506	231,893
Retirement	35,752	38,115
Unemployment Taxes	27,461	5,164
Workers' Compensation Insurance	12,308	16,794
Other Benefits	4,075	(17,417)
Health and Life Insurance	<u>3,011</u>	<u>306,313</u>
Total Benefits	<u>284,113</u>	<u>580,862</u>
Total Salaries and Benefits	<u>\$ 3,052,771</u>	<u>\$ 3,624,299</u>

See independent auditor's report.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
SCHEDULE OF MEDICAL SUPPLIES**

	For The Years Ended September 30,	
	2001	2000
Pharmacy	\$ 267,956	\$ 334,761
Laboratory	129,314	209,331
Respiratory Therapy	44,229	19,433
Nursing Services	42,252	59,357
Radiology	29,907	50,028
Emergency Room	24,274	22,001
Blood Bank	14,456	14,309
Surgery	10,642	17,086
Walk-In Clinic	4,279	6,199
PCAU	4,241	5,883
Dr. Garcia	2,604	2,724
Dr. Marzan	2,064	4,307
Specialty Clinics	1,970	1,800
Kid Med	1,073	741
Home Health	-	2,792
Anesthesia	(383)	4,123
Central Supply	(9,140)	54,975
Total Medical Supplies	<u>\$ 569,738</u>	<u>\$ 809,850</u>

See independent auditor's report.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1

d/b/a

**JACKSON PARISH HOSPITAL
SCHEDULE OF PROFESSIONAL FEES**

	For The Years Ended September 30,	
	2001	2000
Emergency Room	\$ 501,691	\$ 352,142
General and Administrative	344,445	358,903
Specialty Clinics	106,150	-
Plant Operations	103,532	109,225
PCAU	80,000	99,394
Laboratory	64,550	78,935
Nursing Services	60,250	7,146
Radiology	42,592	47,749
Anesthesiology	40,679	40,215
Dr. Marzan	14,417	22,055
Respiratory	11,785	19,727
Medical Records	7,522	6,432
Dietary	7,245	9,539
Dr. Garcia	4,327	2,298
Walk-In Clinic	2,828	4,224
Pharmacy	2,714	4,230
Surgery	-	1,863
Total Professional Fees	<u>\$ 1,394,727</u>	<u>\$ 1,164,077</u>

See independent auditor's report.

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
SCHEDULE OF OTHER OPERATING EXPENSES

	For The Years Ended September 30,	
	2001	2000
Plant Operations	\$ 378,527	\$ 321,751
General and Administrative	285,033	251,001
Radiology	160,480	145,690
Dietary	66,304	79,132
Business Office	61,104	54,978
Laboratory	49,337	55,636
Housekeeping	47,385	47,737
Dr. Garcia	44,411	14,906
Medical Records	20,218	19,892
Pharmacy	14,785	13,139
Nursing Services	11,206	3,746
Data Processing	10,415	4,998
Walk-In Clinic	9,673	24,044
Respiratory	8,934	9,412
PCAU	4,628	9,109
Admitting	2,897	4,339
Kid Med	2,292	3,122
Accounting	2,284	2,889
Surgery	1,846	3,017
Emergency Room	1,614	1,503
Special Clinics	1,514	2,802
Central Supply	329	686
Dr. Marzan	271	13,086
Home Health	-	46,550
Total Other Operating Expense	<u>\$ 1,185,487</u>	<u>\$ 1,133,165</u>

See independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Jackson Parish Hospital Service District No. 1
Jonesboro, Louisiana

We have audited the general purpose financial statements of **JACKSON PARISH HOSPITAL SERVICE DISTRICT No. 1 (Hospital)** for the year ended September 30, 2001, and have issued our report thereon dated February 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **Hospital's** financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Hospital's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended solely for the information and use of the Board of Commissioners, management and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties.



A Professional Accounting Corporation

February 18, 2002

JACKSON PARISH HOSPITAL SERVICE DISTRICT NO. 1
d/b/a
JACKSON PARISH HOSPITAL
STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended September 30, 2001

Finding 2000-1

Not a complete segregation of duties in all accounting, recording and custody functions.

Condition: Due to a limited number of available employees, there was not a complete segregation of duties in all accounting, recording and custody functions.

Resolution: Has been resolved.

Current Status: Management recognized that it was not practicable or cost effective to achieve total segregation of duties with the total number of available employees, but has restructured certain areas and added employees to enhance its accounting controls. To minimize its risk, management supervises and reviews activities on a regular basis.

Finding 2000-2

Lack of a Accounting Policies and Procedures Manual

Condition: An Accounting Policies and Procedures manual did not exist.

Resolution: Has been resolved.

Current Status: The Hospital has established the chart of accounts and is updating it regularly. The Hospital has completed a policies and procedures manual.